

QUARTERLY STATEMENT
OF THE
Volunteer State Health Plan, Inc.

of
Chattanooga
in the state of
Tennessee

TO THE
Insurance Department
OF THE STATE OF
Tennessee

FOR THE QUARTER ENDED
September 30, 2003

HEALTH QUARTERLY STATEMENT

AS OF September 30, 2003

OF THE CONDITION AND AFFAIRS OF THE

Volunteer State Health Plan, Inc.

NAIC Group Code0000,0000NAIC Company CodeEmployer's ID Number62-1656610

(Current Period)(Prior Period)

Organized under the Laws ofTennessee,State of Domicile or Port of EntryTennessee

Country of DomicileUnited States of America

Licensed as business type:Life, Accident & Health[]Property/Casualty[]Hospital, Medical & Dental Service or Indemnity[]Dental Service Corporation[]Vision Service Corporation[]Health Maintenance Organization[X]Other[]Is HMO Federally Qualified? Yes[] No[X]

Date Incorporated or Organized07/11/1996Date Commenced Business11/01/1996

Statutory Home Office801 Pine Street,Chattanooga, TN 37402

(Street and Number)(City, or Town, State and Zip Code)

Main Administrative Office801 Pine Street

(Street and Number)Chattanooga, TN 37402(423)755-5600

(City or Town, State and Zip Code)(Area Code) (Telephone Number)

Mail Address801 Pine Street,Chattanooga, TN 37402

(Street and Number or P.O. Box)(City, or Town, State and Zip Code)

Primary Location of Books and Records801 Pine Street

(Street and Number)Chattanooga, TN 37402(423)755-5600

(City, or Town, State and Zip Code)(Area Code) (Telephone Number)

Internet Website Addresswww.bcbst.com

Statutory Statement ContactLinda Farah Snell(423)763-3130

(Name)(Area Code)(Telephone Number)(Extension)

Linda_Snell@bcbst.com(423)752-8331

(E-Mail Address)(Fax Number)

Policyowner Relations Contact801 Pine Street

(Street and Number)Chattanooga, TN 37402(423)755-5600

(City, or Town, State and Zip Code)(Area Code) (Telephone Number)(Extension)

OFFICERS

President & CEO	Ronald Ellis Harr
Secretary	John Linville Shull
Treasurer	David Lee Deal
Assistant Secretary	Shelia Dian Clemons
Assistant Treasurer	Harold Hoke Cantrell

DIRECTORS OR TRUSTEES

Ronald Ellis Harr	David Lee Deal
Vicky Brown Gregg	Joan Carol Harp

State ofTennessee

County ofHamiltonss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)	(Signature)	(Signature)
Ronald Ellis Harr	John Linville Shull	David Lee Deal
(Printed Name)	(Printed Name)	(Printed Name)
President & CEO	Secretary	Treasurer
Subscribed and sworn to before me this	a. Is this an original filing?	Yes[X] No[]
day of, 2003	b. If no, 1. State the amendment number	
	2. Date filed	
	3. Number of pages attached	
(Notary Public Signature)		

ASSETS

		Current Statement Date			4
		1	2	3	December 31, Prior Year Net Admitted Assets
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	
1.	Bonds	20,877,166		20,877,166	19,994,049
2.	Stocks:				
	2.1 Preferred stocks				
	2.2 Common stocks				
3.	Mortgage loans on real estate:				
	3.1 First liens				
	3.2 Other than first liens				
4.	Real estate:				
	4.1 Properties occupied by the company (less \$..... encumbrances)				
	4.2 Properties held for the production of income (less \$..... encumbrances)				
	4.3 Properties held for sale (less \$..... encumbrances) ..				
5.	Cash (\$....(19,761,877) and short-term investments \$.....38,582,107)	18,820,230		18,820,230	30,144,002
6.	Contract loans (including \$..... premium notes)				
7.	Other invested assets				
8.	Receivable for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	39,697,396		39,697,396	50,138,051
11.	Investment income due and accrued	213,232		213,232	447,631
12.	Premiums and considerations:				
	12.1 Uncollected premiums and agents' balances in course of collection				
	12.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$..... earned but unbilled premiums)				
	12.3 Accrued retrospective premiums				
13.	Reinsurance:				
	13.1 Amounts recoverable from reinsurers				
	13.2 Funds held by or deposited with reinsured companies				
	13.3 Other amounts receivable under reinsurance contracts				
14.	Amounts receivable relating to uninsured plans	324,423		324,423	2,115,149
15.1	Current federal and foreign income tax recoverable and interest thereon				
15.2	Net deferred tax asset	2,675,046	972,774	1,702,272	1,702,272
16.	Guaranty funds receivable or on deposit				
17.	Electronic data processing equipment and software				
18.	Furniture and equipment, including health care delivery assets (\$.....)				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Receivables from parent, subsidiaries and affiliates	5,213,778	2,931,284	2,282,494	
21.	Health care (\$.....) and other amounts receivable				16,526
22.	Other assets nonadmitted				
23.	Aggregate write-ins for other than invested assets				
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	48,123,875	3,904,058	44,219,817	54,419,629
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	TOTALS (Lines 24 and 25)	48,123,875	3,904,058	44,219,817	54,419,629
DETAILS OF WRITE-INS					
0901	.....			
0902	.....			
0903	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301	.....			
2302	.....			
2303	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)				

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded)	80,324		80,324	1,556,385
2.	Accrued medical incentive pool and bonus payments				
3.	Unpaid claims adjustment expenses				
4.	Aggregate health policy reserves				
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserve				
7.	Aggregate health claim reserves				
8.	Premiums received in advance				
9.	General expenses due or accrued	1,205,825		1,205,825	735,405
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others				
13.	Remittances and items not allocated				
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current)				
15.	Amounts due to parent, subsidiaries and affiliates				175,752
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured accident and health plans	645,627		645,627	6,041,003
21.	Aggregate write-ins for other liabilities (including \$..... current)	6,432,206		6,432,206	11,237,947
22.	Total liabilities (Lines 1 to 21)	8,363,982		8,363,982	19,746,492
23.	Common capital stock	X X X	X X X	100,000	100,000
24.	Preferred capital stock	X X X	X X X		
25.	Gross paid in and contributed surplus	X X X	X X X		
26.	Surplus notes	X X X	X X X		
27.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
28.	Unassigned funds (surplus)	X X X	X X X	35,755,835	34,573,137
29.	Less treasury stock, at cost:				
29.1	..... shares common (value included in Line 23 \$.....)	X X X	X X X		
29.2	..... shares preferred (value included in Line 24 \$.....)	X X X	X X X		
30.	Total capital and surplus (Lines 23 to 28 minus Line 29)	X X X	X X X	35,855,835	34,673,137
31.	Total liabilities, capital and surplus (Lines 22 and 30)	X X X	X X X	44,219,817	54,419,629
DETAILS OF WRITE-INS					
2101.	Due State of Tennessee	3,906,331		3,906,331	6,461,647
2102.	Stale Dated Checks	1,316,657		1,316,657	1,495,620
2103.	Contingent Legal Liability	1,048,143		1,048,143	1,450,000
2198.	Summary of remaining write-ins for Line 21 from overflow page	161,075		161,075	1,830,680
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	6,432,206		6,432,206	11,237,947
2701	.....	X X X	X X X		
2702	.....	X X X	X X X		
2703	.....	X X X	X X X		
2798.	Summary of remaining write-ins for Line 27 from overflow page	X X X	X X X		
2799.	TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date
		1	2	3
		Uncovered	Total	Total
1.	Member Months	X X X	(111)	1,727,199
2.	Net premium income (including \$..... non-health premium income)	X X X	(2,992,209)	296,629,247
3.	Change in unearned premium reserves and reserves for rate credits	X X X .....	.....	.....
4.	Fee-for-service (net of \$..... medical expenses)	X X X .....	.....	.....
5.	Risk revenue	X X X .....	.....	.....
6.	Aggregate write-ins for other health care related revenues	X X X .....	.....	.....
7.	Aggregate write-ins for other non-health revenues	X X X .....	.....	.....
8.	Total revenues (Lines 2 to 7)	X X X	(2,992,209)	296,629,247
Hospital and Medical:				
9.	Hospital/medical benefits		(4,888,651)	179,362,925
10.	Other professional services		1,173,867	27,292,474
11.	Outside referrals .....		.....	.....
12.	Emergency room and out-of-area		(534,614)	7,299,441
13.	Prescription drugs		(1,179)	69,810,173
14.	Aggregate write-ins for other hospital and medical		475,704	5,143,986
15.	Incentive pool and withhold adjustments		769,092	(4,134,062)
16.	Subtotal (Lines 9 to 15)		(3,005,781)	284,774,937
Less:				
17.	Net reinsurance recoveries .....		.....	.....
18.	Total hospital and medical (Lines 16 minus 17)		(3,005,781)	284,774,937
19.	Non-health claims .....		.....	.....
20.	Claims adjustment expenses		966,200	16,844,086
21.	General administrative expenses		790,527	13,781,524
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only) .....		.....	.....
23.	Total underwriting deductions (Lines 18 through 22)		(1,249,054)	315,400,547
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(1,743,155)	(18,771,300)
25.	Net investment income earned		389,001	2,665,701
26.	Net realized capital gains or (losses) .....		.....	(300,892)
27.	Net investment gains or (losses) (Lines 25 plus 26)		389,001	2,364,809
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)] .....		.....	.....
29.	Aggregate write-ins for other income or expenses .....		.....	.....
30.	Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(1,354,154)	(16,406,491)
31.	Federal and foreign income taxes incurred	X X X	(473,335)	(5,737,617)
32.	Net income (loss) (Lines 30 minus 31)	X X X	(880,819)	(10,668,874)
DETAILS OF WRITE-INS				
0601.	GME, Meharry, and Essential Provider Payment Revenues	X X X	115,603,400	67,346,940
0602.	Premium Taxes on GME, Meharry, and Essential Provider Payment Revenues	X X X	(2,312,068)	(1,346,939)
0603.	Meharry Dental Payment	X X X	(4,942,107) .....	.....
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X	(108,349,225)	(66,000,001)
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X .....	.....	.....
0701	.....	X X X .....	.....	.....
0702	.....	X X X .....	.....	.....
0703	.....	X X X .....	.....	.....
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X .....	.....	.....
0799.	TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above)	X X X .....	.....	.....
1401.	Exigency Post-Settlement Activity		475,704	6,311,908
1402.	BHO Subcapitation .....		.....	(1,167,922)
1403	.....		.....	.....
1498.	Summary of remaining write-ins for Line 14 from overflow page .....		.....	.....
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		475,704	5,143,986
2901	.....		.....	.....
2902	.....		.....	.....
2903	.....		.....	.....
2998.	Summary of remaining write-ins for Line 29 from overflow page .....		.....	.....
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above) .....		.....	.....

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year To Date	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	34,673,137	64,695,856
GAINS AND LOSSES TO CAPITAL & SURPLUS			
34.	Net income or (loss) from Line 32	(880,819)	(12,466,504)
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Net unrealized capital gains and losses		
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax		(3,119,172)
39.	Change in nonadmitted assets	2,063,516	6,287,958
40.	Change in unauthorized reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
44.1	Paid in		
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in		(20,725,000)
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus	1	(1)
48.	Net change in capital and surplus (Lines 34 to 47)	1,182,698	(30,022,719)
49.	Capital and surplus end of reporting period (Line 31 plus 48)	35,855,835	34,673,137
DETAILS OF WRITE-INS			
4701.	Rounding	1	(1)
4702	.....	
4703	.....	
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)	1	(1)

Report #2A: Stabilization Plan Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	796,585	2,380,327	1,684,849
REVENUES:			
1. TennCare Capitation	122,724,918	443,915,073	331,059,594
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	122,724,918	443,915,073	331,059,594
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	122,724,918	443,915,073	331,059,594
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	1,741,850	6,162,801	5,268,436
8. Fee-for Service Physician Services	40,384,458	122,322,442	85,702,592
9. Inpatient Hospital Services	31,754,701	92,292,823	59,080,214
10. Outpatient Services	18,942,587	55,475,400	39,768,021
11. Emergency Room Services	3,511,323	10,059,035	8,460,515
12. Mental Health Services	-	-	-
13. Dental Services	611	25,926	6,042,741
14. Vision Services	79,423	260,757	204,546
15. Pharmacy Services	(203,889)	81,913,775	75,681,185
16. Home Health Services	3,002,568	8,741,337	3,465,360
17. Chiropractic Services	-	-	-
18. Radiology Services	2,796,698	8,367,004	6,317,260
19. Laboratory Services	2,602,369	7,511,985	5,356,297
20. Durable Medical Services	2,785,878	7,731,278	4,204,982
21. Transportation Services	2,277,271	6,834,127	4,518,651
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	10,956	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	1,169,078	3,358,046	3,142,436
26. Subtotal (Lines 7 to 25)	110,844,926	411,067,692	307,213,236
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	285,656	946,878	702,676
29. Subrogation and Coordination of Benefits	501,634	1,274,029	42,352
30. Subtotal (Lines 27 to 29)	787,290	2,220,907	745,028
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	110,057,636	408,846,785	306,468,208
Administration:			
32. Compensation	7,154,566	18,347,396	12,589,020
33. Marketing			
34. Interest Expense			
35. Premium Tax Expense	2,454,498	8,878,301	6,621,192
36. Occupancy, Depreciation and Amortization	590,295	1,513,773	1,038,672
37. Other Administration (Provide Detail)	2,467,923	6,328,818	4,342,502
38. TOTAL ADMINISTRATION (Lines 32 to 37)	12,667,282	35,068,288	24,591,386
39. TOTAL EXPENSES (Lines 31 and 38)	122,724,918	443,915,073	331,059,594
40. Extraordinary Item			
41. Provision for Federal Income Taxes	-	-	-
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	-	-	-
DETAILS OF WRITE-INS			
2501. PT/OT/ST, Supplies, Prosthetics, etc.	1,168,086	3,341,599	3,125,498
2502. Bad Debt Expense	992	16,447	16,938
		-	-
2599. TOTALS	1,169,078	3,358,046	3,142,436
3701. Equipment Rental	1,123,406	2,880,898	1,976,721
3702. Postage/Telephone	523,878	1,343,449	921,804
3703. Outsourced Services	242,690	622,362	427,032
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	235,028	602,713	413,550
3705. Printing and Stationary	204,256	523,800	359,404
3706. Auditing, Actuarial, and Other Consulting	138,665	355,596	243,991
		-	-
3799. TOTALS	2,467,923	6,328,818	4,342,502

Report #2A: TennCare Select Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	1,237,257	2,801,475	3,159,675
REVENUES:			
1. TennCare Capitation	201,519,144	504,299,903	587,599,930
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	201,519,144	504,299,903	587,599,930
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	201,519,144	504,299,903	587,599,930
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	1,135,808	2,788,049	3,335,176
8. Fee-for Service Physician Services	65,674,864	143,149,461	141,921,049
9. Inpatient Hospital Services	56,733,304	130,217,360	146,589,142
10. Outpatient Services	26,821,063	57,917,577	63,597,033
11. Emergency Room Services	5,475,961	12,104,629	14,921,455
12. Mental Health Services	-	-	-
13. Dental Services	467	23,978	14,787,883
14. Vision Services	178,307	403,998	426,501
15. Pharmacy Services	(437,688)	52,568,896	81,222,680
16. Home Health Services	7,893,862	19,257,163	14,905,490
17. Chiropractic Services	-	-	-
18. Radiology Services	4,872,229	10,061,684	9,401,004
19. Laboratory Services	3,847,635	8,074,822	8,236,829
20. Durable Medical Services	3,563,277	7,818,698	8,525,456
21. Transportation Services	4,798,710	10,007,085	11,446,942
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	496	4,980	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	1,977,622	5,034,567	9,327,418
26. Subtotal (Lines 7 to 25)	182,535,917	459,432,947	528,644,058
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	331,227	663,696	993,278
29. Subrogation and Coordination of Benefits	432,996	1,609,982	842,158
30. Subtotal (Lines 27 to 29)	764,223	2,273,678	1,835,436
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	181,771,694	457,159,269	526,808,622
Administration:			
32. Compensation	11,031,958	25,979,992	34,354,489
33. Marketing			
34. Interest Expense			
35. Premium Tax Expense	4,030,383	10,085,998	11,751,998
36. Occupancy, Depreciation and Amortization	910,203	2,143,508	2,834,456
37. Other Administration (Provide Detail)	3,805,406	8,961,636	11,850,365
38. TOTAL ADMINISTRATION (Lines 32 to 37)	19,777,950	47,171,134	60,791,308
39. TOTAL EXPENSES (Lines 31 and 38)	201,549,644	504,330,403	587,599,930
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(10,675)	(10,675)	-
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(19,825)	(19,825)	-
DETAILS OF WRITE-INS			
2501. PT/OT/ST, Supplies, Prosthetics, etc.	2,043,581	4,776,525	8,818,617
2502. Bad Debt Expense	(65,959)	258,042	508,801
		-	-
2599. TOTALS	1,977,622	5,034,567	9,327,418
3701. Equipment Rental	1,732,232	4,079,365	5,394,324
3702. Postage/Telephone	807,792	1,902,330	2,515,535
3703. Outsourced Services	374,216	881,268	1,165,339
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	362,401	853,446	1,128,549
3705. Printing and Stationary	314,952	741,703	980,786
3706. Auditing, Actuarial, and Other Consulting	213,813	503,524	665,832
		-	-
3799. TOTALS	3,805,406	8,961,636	11,850,365

Report #2A: VOLUNTEER STATE HEALTH PLAN, INC STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	-	(111)	1,727,303
REVENUES:			
1. TennCare Capitation	(2,259,914)	(2,992,209)	290,620,958
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	(2,259,914)	(2,992,209)	290,620,958
4. Investment	135,083	389,001	2,733,376
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	(2,124,831)	(2,603,208)	293,354,334
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	(228)	(228)	5,260,271
8. Fee-for Service Physician Services	(925,536)	(1,125,480)	75,937,748
9. Inpatient Hospital Services	(909,790)	(1,117,683)	60,880,560
10. Outpatient Services	(326,901)	(323,297)	33,952,907
11. Emergency Room Services	(96,757)	140	7,443,738
12. Mental Health Services	-	-	-
13. Dental Services	-	(15,681)	6,714,020
14. Vision Services	(103)	(535)	181,909
15. Pharmacy Services	(559)	45,974	70,809,791
16. Home Health Services	15,033	(81,565)	2,188,578
17. Chiropractic Services	-	-	-
18. Radiology Services	(15,184)	16,153	5,355,466
19. Laboratory Services	(10,043)	4,990	4,522,648
20. Durable Medical Services	(32,501)	(126,753)	3,769,201
21. Transportation Services	1,313	(162,712)	4,352,722
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	747,724	769,092	(4,006,640)
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	169,868	545,907	10,611,953
26. Subtotal (Lines 7 to 25)	(1,383,664)	(1,571,678)	287,974,872
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	(17,907)	(29,863)	1,028,289
29. Subrogation and Coordination of Benefits	319,144	1,463,966	3,359,522
30. Subtotal (Lines 27 to 29)	301,237	1,434,103	4,387,811
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	(1,684,901)	(3,005,781)	283,587,061
Administration:			
32. Compensation	1,079,478	1,272,600	17,386,479
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	(45,198)	(59,844)	5,812,419
36. Occupancy, Depreciation and Amortization	89,062	104,996	1,434,491
37. Other Administration (Provide Detail)	372,359	438,975	5,997,356
38. TOTAL ADMINISTRATION (Lines 32 to 37)	1,495,701	1,756,727	30,630,745
39. TOTAL EXPENSES (Lines 31 and 38)	(189,200)	(1,249,054)	314,217,806
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(677,471)	(473,335)	(8,396,968)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(1,258,160)	(880,819)	(12,466,504)
DETAILS OF WRITE-INS			
0501. GME, Meharry, & Essential Provider Payment Revenues	61,085,944	115,603,400	105,102,042
0502. Premium Taxes on GME, Meharry, and EPP Revenues	(1,221,719)	(2,312,068)	(2,102,041)
0503. Meharry Payment	-	(4,942,107)	-
0503. GME Payments	(9,864,225)	(33,349,225)	(58,000,000)
0504. Essential Provider (EPP) Payments	(50,000,000)	(75,000,000)	(45,000,001)
0599. TOTALS	-	-	-
2501. Exigency Post-Settlement Activity	242,888	475,704	8,592,878
2502. Bad Debt Expense	(74,345)	62,817	(380,652)
2503. PT/OT/ST, Supplies, Prosthetics, etc.	1,325	7,386	3,557,555
2504. BHO	-	-	(1,157,828)
2599. TOTALS	169,868	545,907	10,611,953
3701. Equipment	169,499	199,823	2,730,016
3702. Postage/Telephone	79,042	93,183	1,273,088
3703. Outsourced Services	36,617	43,168	589,767
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	35,461	41,805	571,148
3705. Printing and Stationary	30,818	36,331	496,366
3706. Auditing, Actuarial, and Other Consulting	20,922	24,665	336,971
3799. TOTALS	372,359	438,975	5,997,356

CASH FLOW

		1	2
		Current Year To Date	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	(2,992,209)	293,047,346
2.	Net investment income	1,060,127	3,711,937
3.	Miscellaneous income		
4.	Total (Lines 1 through 3)	(1,932,082)	296,759,283
5.	Benefit and loss related payments	(1,529,720)	399,626,387
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	4,890,957	15,947,645
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) \$..... net tax on capital gain (losses)	(473,335)	(11,217,047)
10.	Total (Lines 5 through 9)	2,887,902	404,356,985
11.	Net cash from operations (Line 4 minus Line 10)	(4,819,984)	(107,597,702)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds		40,026,750
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash and short-term investments		
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)		40,026,750
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	1,319,844	31,658,420
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)	1,319,844	31,658,420
14.	Net increase (decrease) in policy loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	(1,319,844)	8,368,330
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		(20,725,000)
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds received		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)	(5,183,944)	(25,465,108)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(5,183,944)	(46,190,108)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
18.	Net change in cash and short-term investments (Lines 11 plus 15 plus 17)	(11,323,772)	(145,419,480)
19.	Cash and short-term investments:		
19.1	Beginning of year	30,144,002	175,563,482
19.2	End of period	18,820,230	30,144,002

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13
		2	3										
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior Year													
2. First Quarter													
3. Second Quarter													
4. Third Quarter													
5. Current Year													
6. Current Year Member Months	(111)								(111)				
Total Member Ambulatory Encounters for Period:													
7. Physician	(7,015)								(7,015)				
8. Non-Physician	(2,600)								(2,600)				
9. Total	(9,615)								(9,615)				
10. Hospital Patient Days Incurred	2,221								2,221				
11. Number of Inpatient Admissions	(119)								(119)				
12. Health Premiums Collected	(2,992,209)								(2,992,209)				
13. Life Premiums Direct													
14. Property/Casualty Premiums Written													
15. Health Premiums Earned	(2,992,209)								(2,992,209)				
16. Property/Casualty Premiums Earned													
17. Amount Paid for Provision of Health Care Services ...	(1,529,720)								(1,529,720)				
18. Amount Incurred for Provision of Health Care Services	(3,005,781)								(3,005,781)				

CLAIMS PAYABLE (Reported and Unreported)

Aging Analysis of Unpaid Claims						
1	2	3	4	5	6	7
Account	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 days	Over 120 Days	Total
Individually Listed Claims Payable						
Tennessee Health Partnership		2	(2,650)		82,972	80,324
0199999 Individually Listed Claims Payable		2	(2,650)		82,972	80,324
0299999 Aggregate Accounts Not Individually Listed - Uncovered						
0399999 Aggregate Accounts Not Individually Listed - Covered						
0499999 Subtotals		2	(2,650)		82,972	80,324
0599999 Unreported claims and other claim reserves						
0699999 Total Amounts Withheld						
0799999 Total Claims Payable						80,324
0899999 Accrued Medical Incentive Pool						

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business		Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1+3)	6 Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
		1	2	3	4		
		On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec.31 of Prior Year	On Claims Incurred During the Year		
1.	Comprehensive (hospital & medical) .....	.....	.....	.....	.....	.....	.....
2.	Medicare Supplement .....	.....	.....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan Premiums ..	.....	.....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....	.....	.....
7.	Title XIX - Medicaid	(1,529,720)	.....	80,324	.....	(1,449,396)	1,556,385
8.	Other health .....	.....	.....	.....	.....	.....	.....
9.	Health subtotal (Lines 1 to 8)	(1,529,720)	.....	80,324	.....	(1,449,396)	1,556,385
10.	Other non-health .....	.....	.....	.....	.....	.....	.....
11.	Medical incentive pools, accruals and disbursements ..	.....	.....	.....	.....	.....	.....
12.	TOTALS	(1,529,720)	.....	80,324	.....	(1,449,396)	1,556,385

Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Volunteer State Health Plan, Inc. (VSHP) (The Company) are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance (TDCI).

The TDCI, TennCare Division, recognizes only statutory accounting practices prescribed or permitted by the State of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners’ (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Tennessee. The Commissioner of Insurance has the right to permit specific practices that deviate from prescribed practices.

The Company, at the direction of the Commissioner of Insurance of the State of Tennessee, records premium and claims equivalents for the uninsured Exigency period (July 1, 2000 – June 30, 2001), instead of reporting the net gain/(loss) in the general administrative expense line of the current year column as required by NAIC SAP. If premium equivalents were not recorded, claims would be increased (38,357) YTD.

At the request of the TDCI, TennCare Division, VSHP no longer reports for ASOs the receivables and associated payables to the State of Tennessee for Pharmacy Rebates, Investment Interest Income, and Premium Taxes, effective with the June 30, 2003 filing. (The ASO Pharmacy rebate receivable and associated payable were excluded from the 2002 Annual and first quarter 2003 statements via amended returns.) The rationale behind the exclusion is these assets have no economic benefit to VSHP.

The TDCI, TennCare Division, allows a prescribed practice of admitting the most current 90 days of Health Care Receivables (per Tennessee Code Annotated (TCA) §56-32-212 (a) 5D).

10. Information Concerning Parent, Subsidiaries and Affiliates

A. The Parent owns 100% of Southern Diversified Business Services, Inc. which made a cash purchase price of \$4,500K for the purchase of 4,500K shares of Preferred Stock of H A Holdings, Inc., effective August 26, 2003. This represents 29.31% of outstanding stock. H A Holdings, Inc. is a specialty mail order pharmacy for Medicaid subscribers in Illinois, Texas, Mississippi, and Florida. FORM D was filed with the Insurance Department of the State of Tennessee on September 26, 2003.

Southern Diversified Business Services, Inc. owns 100% of Golden Security Life Insurance Company Inc, which changed its name to Golden Security Insurance Company, Inc. effective July 15, 2003.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

C. Wash Sales

Not Applicable

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

A. ASO Plan:

TennCare Select, effective July 1, 2001, and the Stabilization Plan, effective July 1, 2002, are ASO arrangements with the State. The administrative fees received are equivalent to the expenses recorded. Per an Administrative Service Agreement, these expenses are paid to the Parent, who records any gain or (loss), excluding liquidated damages, on their books. TennCare Select is reported on the supplemental income statement (Report #2A, p. 5.2). The Stabilization Plan is reported on the supplemental income statement (Report #2A, p. 5.3). All assets related to TennCare Select and the Stabilization Plan are reported in their appropriate categories on the balance sheet. (Note that pharmacy rebate, premium tax, and interest income receivables are excluded from line 14 of the Assets page.) All liabilities for the ASO plans are netted on page 3, line 20 in the category labeled “Liability for amounts held under uninsured accident and health plans”, excluding any ‘due to/from’ transactions occurring between the ASO, insured business, and the Parent.

The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2003:

Notes to Financial Statement

	(1)	(2)	(3)
	ASO	Uninsured	
	Uninsured	Portion of	Total
	<u>Plans</u>	<u>Plans</u>	<u>ASO</u>
a. Net reimbursement for Administrative Expenses (including Administrative Fees) In excess of actual expenses	\$0	\$0	\$0
b. Total Net Other Income or Expenses (including interest paid to or received from plans)	0	0	0
c. Net Gain or (Loss) from operations	0	0	0
d. Total Claims Payment Volume	\$822,824,062	0	\$822,824,062
B. ASC Plan			
The Company operated under an Exigency agreement with the State for the period July 1, 2000 through June 30, 2001. Per permitted practice, premium and claims equivalents are disseminated throughout the NAIC filing.			
21. Events Subsequent			
On June 30, 2003, the Company advised the State that they would no longer be participating in the BlueCare Contractor Risk Agreement after December 31, 2003.			

GENERAL INTERROGATORIES
(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Did the reporting entity implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements?

Yes[] No[X]
- 1.2 If yes, explain:
- 2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[] No[X]
- 2.2 If yes, has the report been filed with the domiciliary state?

Yes[] No[] N/A[X]
- 3.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 3.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
4. Have there been any substantial changes in the organizational chart since the prior quarter end?
If yes attach an explanation.

Yes[X] No[]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile
.....

6. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?
If yes, attach an explanation.

Yes[] No[X] N/A[]
- 7.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2002
- 7.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

03/31/2000
- 7.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

08/08/2001
- 7.4 By what department or departments?
Tennessee Department of Commerce and Insurance
- 8.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes[] No[X]
- 8.2 If yes, give full information
- 9.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[] No[X]
- 9.2 If response to 9.1 is yes, please identify the name of the bank holding company.
- 9.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X]
- 9.4 If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
..... Yes[] No[X]	. Yes[] No[X]	. Yes[] No[X]	. Yes[] No[X]	. Yes[] No[X]

GENERAL INTERROGATORIES (continued)

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted.)

INVESTMENT

- 10.1

Has there been any changes in the reporting entity's own preferred or common stock?

Yes[] No[X]
- 10.2

If yes, explain:
- 11.1

Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[] No[X]
- 11.2

If yes, give full and complete information relating thereto:
12.

Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$.....
13.

Amount of real estate and mortgages held in short-term investments:

\$.....
- 14.1

Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[] No[X]
- 14.2

If yes, please complete the following:

	1 Prior Year-End Statement Value	2 Current Quarter Statement Value
14.21 Bonds		
14.22 Preferred Stock		
14.23 Common Stock		
14.24 Short-Term Investments		
14.25 Mortgages, Loans or Real Estate		
14.26 All Other		
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)		
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above		
14.29 Receivable from Parent not included in Lines 14.21 to 14.26 above		

- 15.1

Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes[] No[X]
- 15.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes[] No[] N/A[X]
16.

Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV, H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[]
- 16.1

For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
Union Planters Bank N.A.	P.O. Box 387 Memphis TN 38119
Mellon Bank N.A.	P.O. Box 371791 Pittsburgh, PA 15251

- 16.2

For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....

- 16.3

Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

Yes[] No[X]
- 16.4

If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....

- 16.5

Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
17454	Mellon Bank N.A.	P.O. Box 371791 Pittsburgh, PA 15251
111807	Union Planters Bank N.A.	P.O. Box 387 Memphis, TN 38147 ...

SCHEDULE A - VERIFICATION

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year		
2.	Increase (decrease) by adjustment		
3.	Cost of acquired		
4.	Cost of additions to and permanent improvements		
5.	Total profit (loss) on sales		
6.	Increase (decrease) by foreign exchange adjustment		
7.	Amount received on sales		
8.	Book/adjusted carrying value at end of current period		
9.	Total valuation allowance		
10.	Subtotal (Lines 8 plus 9)		
11.	Total nonadmitted amounts		
12.	Statement value, current period (Page 2, real estate lines, current period)		

SCHEDULE B - VERIFICATION

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year		
2.	Amount loaned during period:		
2.1	Actual cost at time of acquisitions		
2.2	Additional investment made after acquisitions		
3.	Accrual of discount and mortgage interest points and commitment fees		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the period		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of mortgages owned at end of current period		

SCHEDULE BA - VERIFICATION

Other Invested Assets Included in Schedule BA

		1	2
Description		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year		
2.	Cost of acquisitions during period:		
2.1	Actual cost at time of acquisitions		
2.2	Additional investment made after acquisitions		
3.	Accrual of discount		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the period		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book/adjusted carrying value of long-term invested assets at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of long-term invested assets at end of current period		

SCHEDULE D - VERIFICATION

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of bonds and stocks, December 31 of prior year	19,994,049	28,902,575
2.	Cost of bonds and stocks acquired	1,319,844	31,658,420
3.	Accrual of discount		
4.	Increase (decrease) by adjustment		(513,714)
5.	Increase (decrease) by foreign exchange adjustment		
6.	Total profit (loss) on disposal		(26,482)
7.	Consideration for bonds and stocks disposed of		40,026,750
8.	Amortization of premium	436,727	
9.	Book/adjusted carrying value, current period	20,877,166	19,994,049
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)	20,877,166	19,994,049
12.	Total nonadmitted amounts		
13.	Statement value (Lines 11 minus 12)	20,877,166	19,994,049

SCHEDULE D - PART 1B
Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	60,031,721	317,786,358	318,207,100	(151,706)	57,025,843	60,031,721	59,459,273	62,070,979
2. Class 2								
3. Class 3								
4. Class 4								
5. Class 5								
6. Class 6								
7. TOTAL Bonds	60,031,721	317,786,358	318,207,100	(151,706)	57,025,843	60,031,721	59,459,273	62,070,979
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. TOTAL Preferred Stock								
15. TOTAL Bonds & Preferred Stock	60,031,721	317,786,358	318,207,100	(151,706)	57,025,843	60,031,721	59,459,273	62,070,979

SCHEDULE DA - PART 1

Short - Term Investments Owned End of Current Quarter

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Amount of Interest Received Current Quarter	5 Paid for Accrued Interest
8099999. TOTALS	38,582,107	X X X	38,582,107	126,907	.....

SCHEDULE DA - PART 2 - Verification

Short-Term Investments Owned

		1 Year To Date	2 Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year	42,076,930	186,104,388
2.	Cost of short-term investments acquired	974,462,509	1,334,775,248
3.	Increase (decrease) by adjustment		
4.	Increase (decrease) by foreign exchange adjustment		
5.	Total profit (loss) on disposal of short-term investments		
6.	Consideration received on disposal of short-term investments	977,957,332	1,478,802,706
7.	Book/adjusted carrying value, current period	38,582,107	42,076,930
8.	Total valuation allowance		
9.	Subtotals (Lines 7 plus 8)	38,582,107	42,076,930
10.	Total nonadmitted amounts		
11.	Statement value (Lines 9 minus 10)	38,582,107	42,076,930
12.	Income collected during period	428,191	2,779,994
13.	Income earned during period	346,018	2,536,910

SCHEDULE DB - PART F - SECTION 1
Summary of Replicated (Synthetic) Assets Open

Replicated (Synthetic) Asset					Components of the Replicated (Synthetic) Asset							
1 Replication RSAT Number	2 Description	3 NAIC Designation or Other Description	4 Statement Value	5 Fair Value	Derivative Instruments Open		Cash Instrument(s) Held					
					6	7	8	9	10	11	12	
					Description	Fair Value	CUSIP	Description	Statement Value	Fair Value	NAIC Designation or Other Description	
					N O N E							
9999999	X X X	X X X ...	X X X	X X X

SCHEDULE DB - PART F - SECTION 2
Reconciliation of Replicated (Synthetic) Assets Open

		First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year-To-Date	
		1	2	3	4	5	6	7	8	9	10
		Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value
1.	Beginning Inventory										
2.	Add: Opened or Acquired Transactions										
3.	Add: Increases in Replicated Asset Statement Value	X X X		N O N E		X X X		X X X		X X X	
4.	Less: Closed or Disposed of Transactions										
5.	Less: Positions Disposed of for Failing Effectiveness Criteria										
6.	Less: Decreases in Replicated (Synthetic) Asset Statement Value	X X X				X X X		X X X		X X X	
7.	Ending Inventory										

SCHEDULE S - CEDED REINSURANCE

Showing all new reinsurers-Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Location	5 Is Insurer Authorized? (Yes or No)
		<div>NONE</div>		

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
Allocated by States and Territories

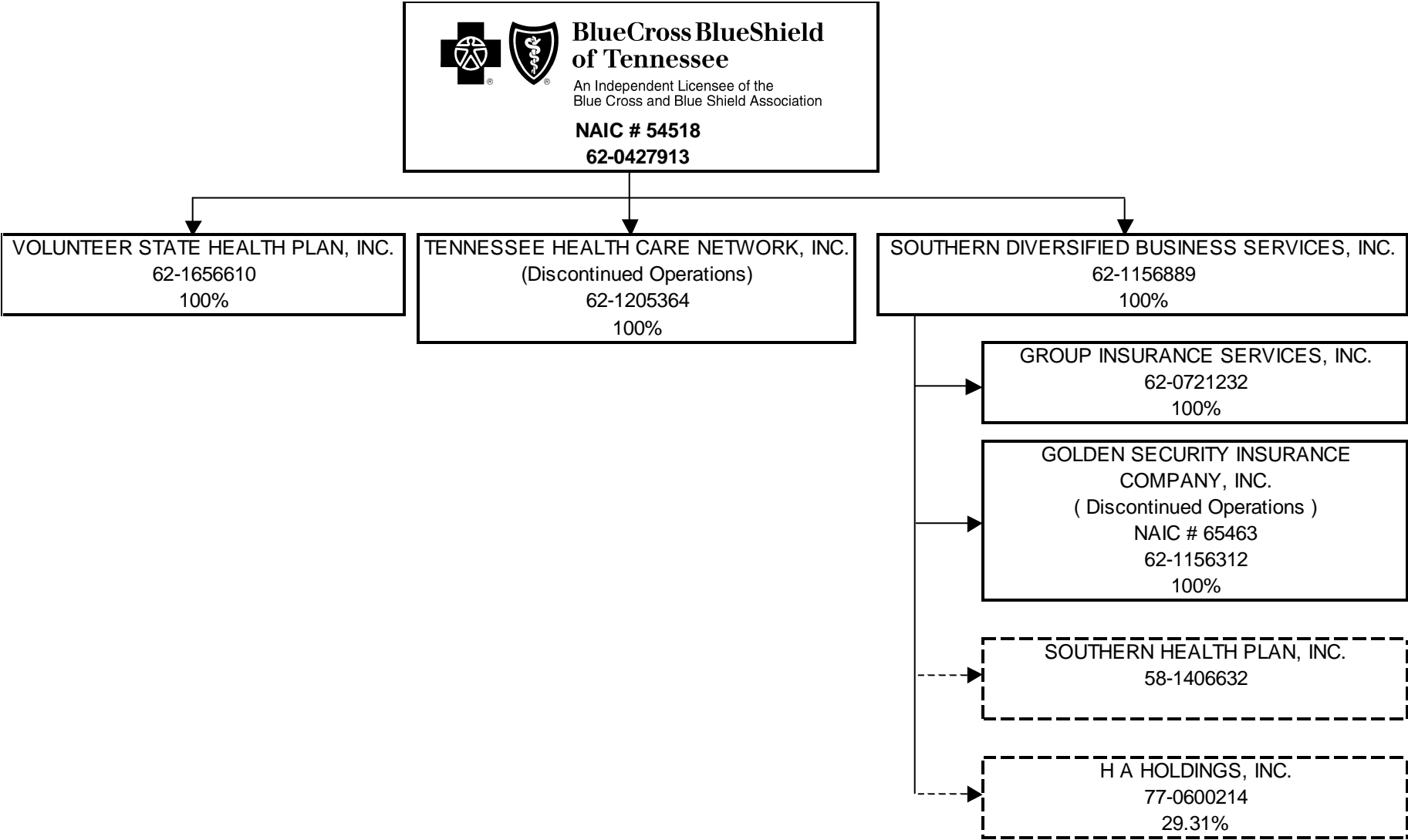
		1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed (Yes or No)	Direct Business Only Year-to-Date					
				3 Accident and Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life and Annuity Premiums and Deposit-Type Contract Funds	8 Property/ Casualty Premiums
	State, Etc.								
1.	Alabama (AL) .....	.. No ..	.. No ..						
2.	Alaska (AK) .....	.. No ..	.. No ..						
3.	Arizona (AZ) .....	.. No ..	.. No ..						
4.	Arkansas (AR) .....	.. No ..	.. No ..						
5.	California (CA) .....	.. No ..	.. No ..						
6.	Colorado (CO) .....	.. No ..	.. No ..						
7.	Connecticut (CT) .....	.. No ..	.. No ..						
8.	Delaware (DE) .....	.. No ..	.. No ..						
9.	District of Columbia (DC) .....	.. No ..	.. No ..						
10.	Florida (FL) .....	.. No ..	.. No ..						
11.	Georgia (GA) .....	.. No ..	.. No ..						
12.	Hawaii (HI) .....	.. No ..	.. No ..						
13.	Idaho (ID) .....	.. No ..	.. No ..						
14.	Illinois (IL) .....	.. No ..	.. No ..						
15.	Indiana (IN) .....	.. No ..	.. No ..						
16.	Iowa (IA) .....	.. No ..	.. No ..						
17.	Kansas (KS) .....	.. No ..	.. No ..						
18.	Kentucky (KY) .....	.. No ..	.. No ..						
19.	Louisiana (LA) .....	.. No ..	.. No ..						
20.	Maine (ME) .....	.. No ..	.. No ..						
21.	Maryland (MD) .....	.. No ..	.. No ..						
22.	Massachusetts (MA) .....	.. No ..	.. No ..						
23.	Michigan (MI) .....	.. No ..	.. No ..						
24.	Minnesota (MN) .....	.. No ..	.. No ..						
25.	Mississippi (MS) .....	.. No ..	.. No ..						
26.	Missouri (MO) .....	.. No ..	.. No ..						
27.	Montana (MT) .....	.. No ..	.. No ..						
28.	Nebraska (NE) .....	.. No ..	.. No ..						
29.	Nevada (NV) .....	.. No ..	.. No ..						
30.	New Hampshire (NH) .....	.. No ..	.. No ..						
31.	New Jersey (NJ) .....	.. No ..	.. No ..						
32.	New Mexico (NM) .....	.. No ..	.. No ..						
33.	New York (NY) .....	.. No ..	.. No ..						
34.	North Carolina (NC) .....	.. No ..	.. No ..						
35.	North Dakota (ND) .....	.. No ..	.. No ..						
36.	Ohio (OH) .....	.. No ..	.. No ..						
37.	Oklahoma (OK) .....	.. No ..	.. No ..						
38.	Oregon (OR) .....	.. No ..	.. No ..						
39.	Pennsylvania (PA) .....	.. No ..	.. No ..						
40.	Rhode Island (RI) .....	.. No ..	.. No ..						
41.	South Carolina (SC) .....	.. No ..	.. No ..						
42.	South Dakota (SD) .....	.. No ..	.. No ..						
43.	Tennessee (TN) .....	.. No ..	.. Yes ..			(2,992,209)			
44.	Texas (TX) .....	.. No ..	.. No ..						
45.	Utah (UT) .....	.. No ..	.. No ..						
46.	Vermont (VT) .....	.. No ..	.. No ..						
47.	Virginia (VA) .....	.. No ..	.. No ..						
48.	Washington (WA) .....	.. No ..	.. No ..						
49.	West Virginia (WV) .....	.. No ..	.. No ..						
50.	Wisconsin (WI) .....	.. No ..	.. No ..						
51.	Wyoming (WY) .....	.. No ..	.. No ..						
52.	American Samoa (AS) .....	.. No ..	.. No ..						
53.	Guam (GU) .....	.. No ..	.. No ..						
54.	Puerto Rico (PR) .....	.. No ..	.. No ..						
55.	U.S. Virgin Islands (VI) .....	.. No ..	.. No ..						
56.	Canada (CN) .....	.. No ..	.. No ..						
57.	Aggregate other alien (OT) .....	.. X X X ..	.. X X X ..						
58.	TOTAL (Direct Business) .....	.. X X X ..	(a)..... 1			(2,992,209)			
DETAILS OF WRITE-INS									
5701	.....	.. X X X ..	.. X X X ..						
5702	.....	.. X X X ..	.. X X X ..						
5703	.....	.. X X X ..	.. X X X ..						
5798.	Summary of remaining write-ins for Line 57 from overflow page .....	.. X X X ..	.. X X X ..						
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above) .....	.. X X X ..	.. X X X ..						

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

All insurer members of a Holding Company Group that has acquired and/or disposed of any domestic insurer (s) since filing the last annual or quarterly statement shall prepare a common schedule for inclusion in each of the individual quarterly statements

PART 1 - ORGANIZATIONAL CHART



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

1. Will the SVO Compliance Certification be filed with this statement?

RESPONSES

Yes

Explanation:

Bar Code:

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
2104.	Check/Supense Clearing .....	..... 80,671	.....	..... 80,671	..... 916,262
2105.	Exigency Post-Settlement Activity .....	..... 80,404	.....	..... 80,404	..... 914,418
2106.	.....	.....	.....	.....	.....
2197.	Summary of remaining write-ins for Line 21 (Line 2104 through 2196) .....	..... 161,075	.....	..... 161,075	..... 1,830,680

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date
		1 Uncovered	2 Total	3 Total
0604.	GME Payments .....	..... X X X .....	..... (33,349,225)	..... (46,000,000)
0605.	Essential Provider Payments .....	..... X X X .....	..... (75,000,000)	..... (20,000,001)
0697.	Summary of remaining write-ins for Line 6 (Lines 0604 through 0696) .....	..... X X X .....	..... (108,349,225)	..... (66,000,001)

SCHEDULE A - PART 2
Showing all Real Estate ACQUIRED During the Current Quarter

1 Description of Property	Location		4	5	6	7	8	9
	2	3						
	City	State	Date Acquired	Name of Vendor	Actual Cost	Amount of Encumbrances	Book/Adjusted Carrying Value Less Encumbrances	Expended for Additions and Permanent Improvements
NONE								
9999999 Totals

SCHEDULE A - PART 3
Showing all Real Estate SOLD during the Quarter, including Payments during the Final Year on "Sales under Contract"

1 Description of Property	Location		4 Disposal Date	5 Name of Purchaser	6 Actual Cost	7 Increase (Decrease) by Adjustment	8 Increase (Decrease) by Foreign Exchange Adjustment	9 Expended for Additions, Permanent Improvements and Changes in Encumbrances	10 Book/Adjusted Carrying Value Less Encumbrances	11 Amounts Received	12 Foreign Exchange Profit (Loss) on Sale	13 Realized Profit (Loss) on Sale	14 Total Profit (Loss) on Sale	15 Gross Income Earned Less Interest Incurred on Encumbrances	16 Taxes, Repairs and Expenses Incurred
	2 City	3 State													
					N O N E										
9999999 Totals .....					.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

SCHEDULE B - PART 1

Showing all Mortgage Loans ACQUIRED during the Current Quarter

1	Location		4	5	6	7 Book Value/Recorded Investment Excluding Accrued Interest	8 Increase (Decrease) by Adjustment	9 Increase (Decrease) by Foreign Exchange Adjustment	10 Value of Land and Buildings	11 Date of Last Appraisal or Valuation
	2	3								
Loan Number	City	State	Loan Type	Date Acquired	Rate of Interest					
<div>NONE</div>										
9999999 GRAND TOTAL X X X ..

SCHEDULE B - PART 2

Showing all Mortgage Loans SOLD, transferred or paid in full during the Current Quarter

1	Location		4	5	6	7	8	9	10	11	12	13
	2	3										
Loan Number	City	State	Loan Type	Date Acquired								
NONE												
9999999 Totals												

SCHEDULE BA - PART 1

Showing Other Long-Term Invested Assets ACQUIRED during the Current Quarter

1 Number of Units and Description	Location		4 Name of Vendor	5 Date Acquired	6 Actual Cost	7 Amount of Encumbrances	8 Book/Adjusted Carrying Value Less Encumbrances	9 Increase (Decrease) by Adjustment	10 Increase (Decrease) by Foreign Exchange Adjustment
	2 City	3 State							
N O N E									
9999999 Totals

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets SOLD, transferred or paid in full during the Current Quarter

1 Number of Units and Description	Location		4 Name of Purchaser or Nature of Disposition	5 Date Acquired	6 Book/ Adjusted Carrying Value Less Encumbrances Prior Year	7 Increase (Decrease) by Adjustment	8 Increase (Decrease) by Foreign Exchange Adjustment	9 Book Adjusted/ Carrying Value Less Encumbrances at Disposition	10 Consideration Received	11 Foreign Exchange Profit (Loss) on Sale	12 Realized Profit (Loss) on Sale	13 Total Profit (Loss) on Sale
	2 City	3 State										
NONE												
9999999 Totals

SCHEDULE D - PART 3

Showing All Long-Term Bonds and Stocks ACQUIRED During Current Quarter

1	2	3	4	5	6	7	8	9
CUSIP Identification	Description	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation (a)
<div>NONE</div>								
7299999 Total - Bonds, Preferred and Common Stock X X X .....	.....	.....

(a) For all common stock bearing the NAIC designation "U" provide: the number of such issues

SCHEDULE D - PART 4
Showing All Long-Term Bonds and Stocks Sold, Redeemed, or Otherwise Disposed of
by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Book/Adjusted Carrying Value at Disposal Date	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) On Disposal	Interest on Bonds Received During Year	Dividends on Stocks Received During Year	NAIC Desig- nation (a)
						N O N E										
7299999 Total - Bonds, Preferred and Common Stock X X X .....		.....	.....	.....	.....	.....	.....	.....	.....	.. X X X .

(a) For all common stock bearing the NAIC designation "U" provide: the number of such issues

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Owned at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index	Date of Acquisition	Exchange or Counterparty	Cost/ Option Premium	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income
NONE													
9999999 Grand Total

SCHEDULE DB - PART B - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Written and In-Force at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index	Date of Issuance/ Purchase	Exchange or Counterparty	Consideration Received	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis	Other Investment/ Miscellaneous Income
NONE													
9999999 Grand Total

SCHEDULE DB - PART C - SECTION 1

Showing all Collar, Swap and Forwards Open at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Description	Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index Rec (Pay)	Date of Opening Position or Agreement	Exchange or Counterparty	Cost or (Consideration Received)	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income	Potential Exposure
NONE														
9999999 Grand Total

SCHEDULE DB - PART D - SECTION 1

Showing all Futures Contracts and Insurance Futures Contracts at Current Statement Date

1	2	3	4	5	6	7	8	9	Variation Margin Information			13
									10	11	12	
Description	Number of Contracts	Maturity Date	Original Value	Current Value	Variation Margin	Date of Opening Position	Exchange or Counterparty	Cash Deposit	Recognized	Used to Adjust Basis of Hedged Item	Deferred	Potential Exposure
NONE												
9999999 Grand Total X X X .	..... X X X .....	.....	.....	.....	.....	.....

SCHEDULE E - PART 1 - CASH

1			2	3	4	Book Balance at End of Each Month During Current Quarter			8
Depository			Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	5 First Month	6 Second Month	7 Third Month	*
open depositories									
Union Planters Bank, NA	835 Georgia Ave., Chattanooga, TN 37402 .....					..... 88,549	..... 125,601	..... 63,428	.
Union Planters Bank, NA	7130 Goodlett Farms Pkwy, Cordova, TN 38018 .....					..... (37,345)	..... 38,590	..... 2,895	.
Union Planters Bank, NA	7130 Goodlett Farms Pkwy, Cordova TN 38018 .....					..... (21,055)	..... 26,590	..... (10,126)	.
Union Planters Bank, NA	7130 Goodlett Farms Pkwy, Cordova, TN 38018 .....					..... (8,510)	..... (76,820)	..... (37,024)	.
Union Planters Bank, NA	7130 Goodlett Farms Pkwy, Cordova, TN 38018 .....					. (1,604,435)	. (7,850,648)	. (6,257,803)	.
Union Planters Bank, NA	7130 Goodlett Farms Pkwy, Cordova, TN 38018 .....					. (2,084,885)	. (9,864,422)	(13,523,247)	.
0199998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories .....			... X X X ...						.
0199999 Totals - Open Depositories .....			... X X X ...			. (3,667,681)	(17,601,109)	(19,761,877)	
0299998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories .....			... X X X ...						.
0299999 Totals - Suspended Depositories .....			... X X X ...						
0399999 Total Cash On Deposit .....			... X X X ...			. (3,667,681)	(17,601,109)	(19,761,877)	
0499999 Cash in Company's Office .....			... X X X ...	... X X X ...	... X X X ...				
0599999 Total Cash .....			... X X X ...			. (3,667,681)	(17,601,109)	(19,761,877)	



SVO Compliance Certification

"The undersigned is an officer of the insurer responsible for reporting investments to the SVO and/or with performing all filings with appropriate state regulatory officials and the NAIC and is therefore required to be familiar with the requirements of such filings. The undersigned officer certifies that, to the best of his or her knowledge, information, and belief, all prices or NAIC designations for the securities reported in this statement have been obtained directly from the SVO except as specifically identified below. The officer further certifies that, to the best of his or her knowledge, information, and belief, since the last filing of a quarterly or annual statement:

- 1. All securities previously valued by the insurer and identified by a Z suffix have now been submitted to the SVO for a valuation or disposed of by sale or otherwise with the result that all prices and NAIC Designations reported in this statement have been provided by the SVO, except for new purchases identified in Schedule D and DA with a Z suffix or items submitted but not yet processed by the SVO.
- 2. Any newly purchased securities now identified with a Z suffix shall be submitted to the SVO within 120 days of purchase.
- 3. All necessary information on securities which have been previously designated NR (not rated due to lack of current information) by the SVO have either been submitted to the SVO by the insurer for a valuation or disposed of by the insurer.
- 4. All material issuer events (as defined below) have been reported to the SVO."

A material issuer event is a generic or transaction specific credit event of which the insurer is currently aware, which by its nature would signify to a reasonably prudent insurer that a material change in the credit quality or price of the investment or security has occurred.

As an illustration, and not by way of limitation, the following shall be deemed to constitute material issuer events:

- a. Recapitalizations or capital restructuring whether within or without Chapter 11 of the US Bankruptcy Code;
- b. Nonpayment, deferral, or payment in kind through waiver of any principal or contractual interest payment;
- c. Any change in the maturity of a security;
- d. Changes in the lender’s collateral position, including releases of collateral, or the taking of a collateral position whether by operation of negative pledge covenant or otherwise;
- e. Events of a like character or of a like effect, which would be considered material to an investment professional.
- f. Exceptions_____

Harold Hoke Cantrell
Name of Investment Officer

Signature of Investment Officer

Assistant Treasurer
Title of Signatory

Date

Statement of Actuarial Opinion

Amended Statement Cover

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QUARTERLY DISKETTE TRANSMITTAL FORM AND CERTIFICATION
 (HEALTH)

Name of Insurer
 Volunteer State Health Plan, Inc.

Date
 NAIC Group #
 0000
 FEIN
 62-1656610
 NAIC Company #
 00000

THIS FORM IS REQUIRED FOR ALL DISKETTE TRANSMITTALS, PLEASE PROVIDE ANY ADDITIONAL COMMENTS THAT MAY
 HELP TO IDENTIFY DISKETTE CONTENT

	First Quarter	Second Quarter	Third Quarter
A01. Is this the first time you've submitted this filing? (Y/N)	N/A	N/A	N/A
A02. Is this being re-filed at the request of the NAIC or a state insurance department? (Y/N)	N/A	N/A	N/A
A03. Is this being re-filed due to changes to the data originally filed? (Y/N)	N/A	N/A	N/A
(IF "YES" ENCLOSE HARD COPY PAGES FOR EACH CHANGE.)			
A04. Other? (Y/N)	N/A	N/A	N/A
(If "yes" attach an explanation.)			

B. Additional comments if necessary for clarification:

C. Diskette Contact Person:

Phone:

Address:

D. Software Vendor:

Version:

E. Have material validation failures been addressed in the explanation file? Yes[] No[X]

F. The undersigned hereby certifies, according to the best of his/her knowledge and belief: that the diskettes submitted with this form were prepared in compliance with the NAIC specifications, that the diskettes have been tested against the validations included with these specifications, and that quarterly statement information required to be contained on diskette is identical to the information in the 2003 Quarterly Statement blank filed with the insurer's domiciliary state insurance department. In addition, the diskettes have been scanned through a virus detection software package, and no viruses are present on the diskettes. The virus detection software used was (name):

(version number):

(Signed)

Type Name and Title:

NAIC Company Code 00000
NAIC Group Code 0000

Reporting Entity Name Volunteer State Health Plan, Inc.
Domiciled in Tennessee (State)
Mailing Address: 801 Pine Street, Chattanooga, TN 37402
Annual Statement Contact: Linda Farah Snell (423)763-3130 Linda_Snell@bcbst.com
(Name) Telephone No. E-mail Address

In the Matter of the Quarterly Statement
(Annual/Quarterly)

Filing Required for the Period Ending on the
day of , 2003

Mailing Date:

**AFFIDAVIT OF FILING
AND FINANCIAL
STATEMENT ATTESTATION**

The officers of the above identified reporting entity, being duly sworn, each depose and say that on the mailing date above, a true and correct statement for the reporting period stated above and that the corresponding true and correct electronic file reflecting the statement for the above named reporting entity, has been sent to the National Association of Insurance Commissioners, according to their instructions. The statement and the corresponding electronic file are an exact and complete duplicate of the statement filed with the reporting entity’s domestic state, except as to schedules, exhibits and information required to be submitted only to the reporting entity’s domestic state.

Additionally, the officers of the above identified reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that for the reporting period stated above, all of the described assets in the above referenced statement were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as therein stated, and that the statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended on that date, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual, except to the extent that (1) state law may differ; or (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)
(Printed Name)
President

(Signature)
(Printed Name)
Secretary

(Signature)
(Printed Name)
Treasurer

(Signature)
(Printed Name)
Witness

Subscribed and sworn to before me this

day of , 2003

(Notary Signature)
My Commission Expires: